

CITY OF SUGAR LAND FIVE-YEAR FORECAST 2007-2011

OVERVIEW

The City's pro-active and focused financial management philosophy has been the guiding factor for the City's long range fiscal approach to budgeting for operations and capital. Financial policies established by City Council have created an environment where staff can make reasonable assumptions regarding future decisions providing a meaningful forecast to elected officials as they provide direction to the City's administration. Similarly, staff presents to City's leadership a fiscally constrained plan that funds the operations of this City and its Five-Year CIP requirements. The long range financial forecast has provided elected officials and City management the opportunity to "gaze" into the future and apply in-depth strategies in order to create a fiscally responsible path towards furthering of the City as a "Community of Choice: To Live, To Work, To Play, To Shop."

The forecast presents the City's financial conditions over the next five years under a set of assumptions. These assumptions are presented in the Major Assumptions section and include revenues and expenditures for the effects of development of Telfair and Lake Pointe. The forecast excludes the impact of any future annexations. Based on these assumptions, the forecast shows that the City will be able to accomplish the following:

- Maintain a tax rate no greater than the effective rate + 3%
- Fund existing services at current service levels in all funds
- Support development activities in Telfair and Lake Pointe
- Maintain a healthy fund balance and meet policy requirements
- Provide two-cents within the tax rate to fund drainage operations and capital improvements
- Provide funding for surface water
- Maintain sales tax to fund operations at approximately 50%
- Meet current and future anticipated debt service obligations
- Provide funding for fleet and high-tech technology replacement
- Fund a Five-Year Capital Improvement Program and associated operating expenditures

The integrated five-year financial forecast of the major funds indicates the City is in sound financial health, and can fund current service levels and meet its current and anticipated future obligations. All funds meet reserve and bond requirements. The financial forecast is updated annually as part of the budget process to ensure that the City can continue to meet its challenges, fulfill its obligations, and assess long-range implications of proposed operating, capital budgets, and policies.

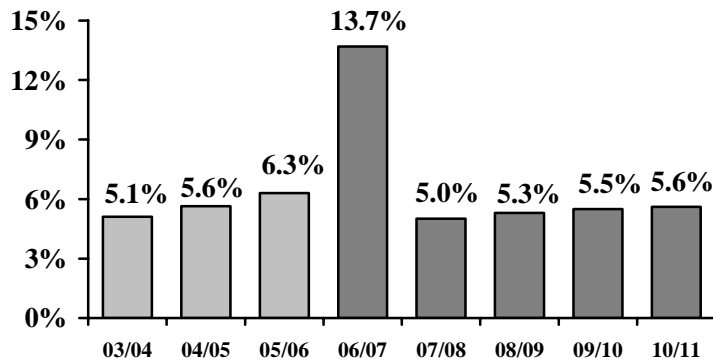
VALUATION AND TAX RATE

General Fund and Debt Service revenues depend a great deal on the net assessed property valuation assumptions, which are derived from anticipated residential and commercial development, revaluation of existing property and the scheduled roll-off of tax abatements.

Forecast Analysis/Assessed Valuation

The City's assessed valuation increases are due to annexation of MUD113 in fiscal year 2005/06, residential and commercial expansion and revaluation. Excluding fiscal year 2006/07 increase of 13.7% due to annexation of MUD113, the annual average net assessed valuation increase for the next four years is expected to be approximately 5.3%.

NET ASSESSED VALUATION INCREASE*

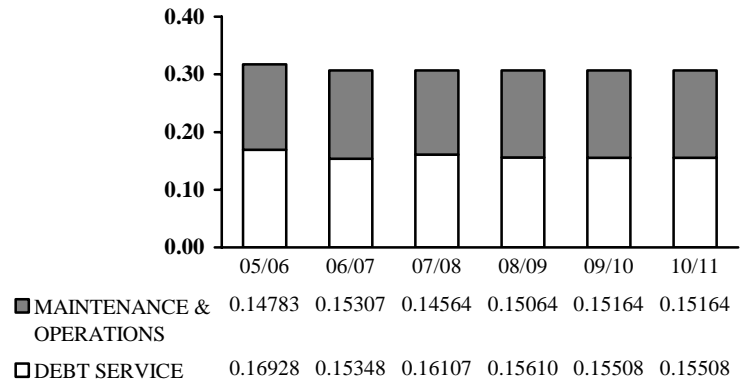


The net assessed valuation increase for fiscal year 2006/07 is 13.7% due to the annexation of MUD 113. For fiscal years 2007/08 through 2010/11, the average net assessed valuation increase is 5.3% which includes assumptions for revaluation increases, residential and commercial activities. New construction in the City continues with emphasis in commercial expansion and it is expected to remain steady, due to continuing economic development efforts. Significant residential development is currently underway in Telfair and Lake Pointe developments.

*Excludes TIRZ valuation

In fiscal year 2006/07, the adopted tax rate of \$0.30655 allocates 50.07% or \$0.15348 to Debt Service and 49.93% or \$0.15307 for maintenance and operations. The adjacent chart presents the property tax rate split between Maintenance & Operations and Debt Service for fiscal years 2006/07-2010/11. The tax rate split remains approximately 50/50 throughout the forecast.

TAX RATE SPLIT



GENERAL FUND

The City's General Fund encompasses the majority of the City's services. Resources to the fund are generated through property and sales taxes, franchise fees, fines, fees for services and miscellaneous income. Expenditures from the fund support traditional municipal services such as Public Safety, Parks and Recreation, Fiscal Services, Community Development and Public Works operations.

Forecast Analysis

The General Fund continues to fund all current services throughout the forecast. The fund is able to support annual growth in operating expenditures, plus the addition of 11 full-time positions in fiscal year 2006/07 due to new development, implementation of the IT Master Plan and to maintain current service levels. The forecast does include additions to operating expenditures as identified in the Five Year CIP, for those projects with identified funding sources in fiscal years 2006/07-2010/11.

Growth in sales tax and a stable operations and maintenance tax rate provides resources to maintain current service levels and support operations and maintenance impact of completed CIP projects and the IT master plan recommendations. The General Fund is able to continue pay-as-you-go funding for CIP with 10% sales tax estimates set aside for CIP funding. This strategy provides the City a cushion if sales tax collections fall short of estimates, as the first 90% of collections are used to fund operations.

Overall, the fund is in a sound financial position throughout the forecast period, successfully meeting the 90-day reserve requirements and maintaining a balance between recurring revenues and recurring expenditures in all the years of the forecast.

During the forecast the ending fund balance grows by \$1.949 million from \$11.88 million in 2006/07 to \$13.9 million in 2010/11. This increasing fund balance is needed to meet the 90-day reserve requirement, which is \$13.8 million in fiscal year 2010/11.

The forecast outcome is highly dependent on several major assumptions. These assumptions base the forecast on expanded service levels with increases due to growth in population or service demands. Changing any number of these assumptions can significantly alter the outcome of the forecast, which could have a tremendous impact on the City's operations and maintenance tax rate and capacity for future needs.

Revenues

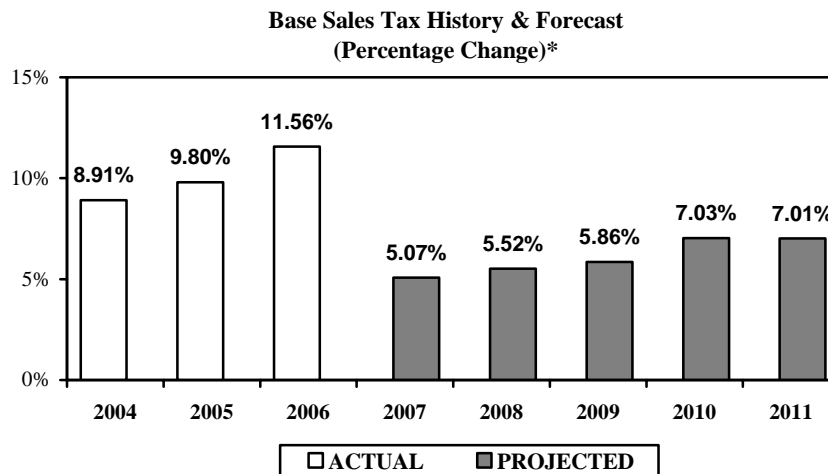
Property Taxes.

Revenues from property tax remain stable at 21.1% of total revenues throughout the forecast. The make-up of the taxable valuation is expected to be maintained at 65% residential/35% commercial due to the Newland and Lake Pointe residential developments and due to continued commercial development.

Sales Tax

Sales tax receipts are the City's largest source of revenue and have historically accounted for close to 53% of the General Fund revenues. The City has experienced tremendous growth in the past due to annexations and construction of commercial centers. The healthy increase in the sales tax also assisted the City in reducing the property tax rate. Although sales tax is increasing considerably, the percentage of revenues remains stable at approximately 53%.

Increases in sales tax collections will come from a new residential development in Telfair, continuing development of Town Square, expansion of First Colony Mall, and commercial and residential development in Lake Pointe Town Center.



*Excludes increases due to sales tax incentive agreements

Franchise Fees

Franchise fees are projected to show an average increase of 4.2% per year for the duration of the forecast due to the natural growth of the existing base, Telfair and Lake Pointe developments, and commercial development in Town Square and the Mall area.

Licenses & Permits

Revenues generated from Licenses & Permits have a direct relationship with new construction and renovations. The forecast for this source of revenue presents an average increase of 3.77% per year, due to the Telfair Development and a steady commercial development, such as Town Square, First Colony Mall, and Lake Pointe.

Charges for Services

Major revenues include park and recreation fees, administrative support reimbursements from the Sugar Land Development Corporation and Sugar Land 4B Corporation, and fire protection fees. The City will see an increase in park revenues due to the Recreation Center that is expected come on line in fiscal year 2007/08. It is anticipated that the City will recoup some but not all direct costs through user fees. Completion of fire station #7 is anticipated in 2008/09 and increased revenues for fire fees from New Territory are included starting in fiscal year 2009/10 for services provided. Fire protection fees are calculated based on the number of households in participating MUDs and are adjusted annually as determined by the fire protection agreements.

Interest Income

Forecasted interest income is based on the average available fund balance each year, invested at anticipated market rates of return. The forecast assumes average earnings of 5% throughout the period.

Miscellaneous

Other revenues include planning and zoning fees, and miscellaneous income. Forecast is based on historical collections.

Expenditures

Total recurring operating expenditures increase 28.7% over the forecast period, an average annual increase of 5.7%.

Personnel Services

The forecast assumes 5% annual growth in personnel and benefits costs for existing and proposed personnel. As it has been the City's position in the past, personnel additions are carefully considered during each budget process, and will be recommended when appropriate.

O&M Expenditures

Base expenditure increases over the forecast period at 1% annually and include expenditures for the completion of capital projects in the Five Year CIP. The annual net CIP impact on the General Fund's O&M expenditure by 2010/11 is \$660,043 including personnel. Operating impacts of unfunded projects has not been built into the forecast but it will be a significant factor in determining which projects go forward.

Debt Service

The debt service section of the operating budget includes lease payments on fire apparatus financed through an existing lease purchase agreements. The forecast includes repayment on two current lease/purchase agreements, plus anticipates additional lease purchase financing for planned replacement of two ladder trucks and one pumper in fiscal years 2006/07, 2008/09 and 2010/11.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of monies, which are set aside to pay principal and interest on debt incurred through sale of bonds and other debt instruments. These securities finance long-term capital improvements projects such as streets, parks, and buildings.

Forecast Analysis

The forecast for the Debt Service Fund shows that the fund can meet all current and anticipated future obligations with a level tax rate over the forecast period, and meet fund balance requirements. This can be accomplished through increased tax base and declining debt service. The tax rate does not exceed the effective tax rate plus 3% throughout the forecast. The remaining 1999 voted bond authorization will be issued in 2007/08 without an impact to the overall tax rate. The City anticipates holding an election on the next G.O. bond referendum in 2008. However, future bond authorizations may require an increase in the tax rate to support the debt and operating expenditures of the projects.

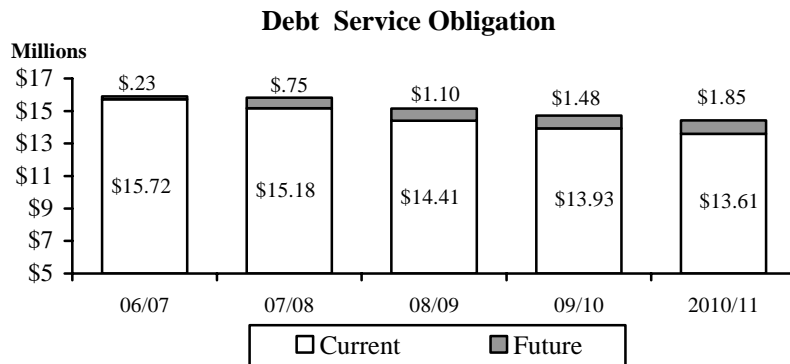
Revenues

Property taxes constitute the majority of the revenues for the Debt Service Fund. Growth in valuation and new development keeps the revenue steady. Another source of revenue is reimbursement from developer fees. Developer fees are transportation fees assessed as tracts of land are developed that create a substantial impact on the City's transportation system. The fees included in the forecast are anticipated to begin in fiscal year 2007/08, and will be used to fund debt service requirements for the planned issuance of Certificates of Obligation for the extension of University Boulevard. A hotel occupancy tax transfer from the Tourism Fund supports the Certificates of Obligation the City issued for the Sugar Land Conference Center in Town Square. The transfer from the Utility Fund to support water/wastewater debt assumed through annexation and dissolution of MUDs remains at

an 80% recovery for the duration of the forecast. The amount of the transfer in 2006/07 is \$4,312,748 and declines thereafter to \$3,478,446 in fiscal year 2010/11 for a total reduction of \$834,302, as the debt service requirements from assumed issues are declining.

Expenditures

The forecast includes the issuance of certificates of obligation for drainage projects and University Boulevard as identified in the Five-Year CIP. The forecast also includes the IT master plan projects which could be supported with the issuance of Certificates of Obligation or through non-recurring funding sources in the General Fund. The Five Year CIP has identified projects for a total of \$47 million as potential projects for general obligation bonds, hence the need for a bond referendum in 2008. Debt service expenditures range from \$16.1 million in fiscal year 2006/07 to \$15.6 million in fiscal year 2010/11.



WATER/WASTEWATER UTILITY FUND

The Water/Wastewater Utility Fund is an enterprise fund providing for the administration, operation and maintenance of the City's water and wastewater system, billing and collection activities. The fund's services are financed primarily through utility customer user fees.

Forecast Analysis

Strategies used in the generation of the Utility financial plan are aimed to ensure the fund is self-supporting and that capital improvement funding is adequate to maintain or expand the City's infrastructure. These strategies include transfer to the Surface Water Fund based gallons pumped, keeping the transfer to the Debt Service Fund at 80% for the duration of the forecast, it supports debt service requirements for several major CIP projects, and generates the revenues to accomplish these strategies. The fund is capable of meeting all reserve and bond coverage requirements.

According to the forecast, a revenue increase will be needed over the next five years with a 2.4 % revenue increase in fiscal year 2006/07 in order for the fund to meet its current and future obligations. The City contracted with R.W. Beck in May 2006 to conduct a rate analysis and develop a new rate model for the City. The rate analysis and rate model will be built around the 2006/07 adopted budget, and a rate structure will be recommended that will enable the City to achieve this revenue growth. The City's utility system can continue to be self-supporting and financially sound.

Revenues

The utility system users generate the revenues that support the system. These revenues fund the basic operations of the fund, current debt service, operating transfers, and surface water funding. The revenues also support \$1.3 million in pay as you go capital improvements over the forecast period. Connection fees from new development are anticipated to support debt service requirements for debt issued to support projects related to new development.

Expenses

Operating expenses increase 20.5% during the forecast, or 4.1% annually. Expenses include CIP related O&M of \$546,700, and \$435,000 for contracted services associated with the connection of approximately 2,500 residences from Telfair development to the utility system. The Utility Fund anticipates the issuance of \$34.1 million in debt over the forecast period to fund capital

improvement projects as well as fund \$1.3 million in pay-as-you-go capital improvements for fiscal years 2006/07 to 2010/11.

The fund supports funding for surface water by transferring a total of \$8.3 million through this forecast to the Surface Water Fund. Expenses associated with surface water have been shifted from the Utility Fund to the Surface Water Fund. The transfer is based on revenues based on billed water consumption at \$0.25/1,000 gallons.

SURFACE WATER FUND

The Surface Water Fund is an Enterprise Fund and is supported by user fees and operating transfers. The purpose of the fund is to provide a financial mechanism for implementing the City's groundwater reduction plan for conversion from groundwater to surface water sources.

Forecast Analysis

The forecast illustrates financial planning that will enable it to provide funding to meet the 30% conversion required by fiscal year 2012/13 and 60% by fiscal year 2024/25. Revenues are comprised of \$2.4 million in user fees through the participation of ETJ residents, and \$8.3 million from inter-fund transfers. The forecast allocates funding for capital projects totaling \$39.5 million, with the majority of \$32.4 million in fiscal year 2010/11 for surface water treatment plant and surface water transmission line. The forecast accomplishes all the above and in addition it provides a projected ending fund balance by fiscal year 2010/11 of \$2.1 million.

Revenues

Major revenues in the fund include user fees and inter fund transfers. User fees are generated at \$0.25/1,000 based on pumpage from Municipal Utility Districts (MUDs) located in the City's extra-territorial jurisdiction (ETJ). User fees have the potential of generating \$2.4 million during this forecast. The City's ETJ includes MUDs 1, in River Park, 67, 68, 69, 111, and 112 in New Territory, 106, 108, 109, and 117 in Greatwood, and Plantation MUD. The City is working to establish Strategic Partnership Agreements with the MUDs and to include them in the Groundwater Reduction Plan roster. Any other entity willing to participate must be included in the GRP by January 2008, in order for the City to meet all the regulatory mandates.

In addition, an inter fund transfer of \$8.3 million from the Utility Fund provides a significant portion of the funding needs. The transfers are based on a contribution of \$0.25 per 1,000 gallons billed for city customers. The rest is generated by interest income.

Expenses

Operating expenses for the fund total approximately \$1.8 million during the forecast. O&M expenses comprise the bulk of the fund's operating expenses with water rights contract payments. Personnel expenses, which include one position, make up the remaining operating expenses. The City will issue revenue bonds in the amount of \$3,525,000 in fiscal year 2007/08 and 2008/09 to fund preliminary engineering report, land acquisition and design of a 10 MGD surface water treatment plant on an approximately 20-acre site near Gannoway Lake, on the northwest side of the City. Construction of the surface water treatment plant is expected in 2010/11 and bonds will be issued for \$22.9 million to fund construction. Ultimate plant capacity of 20 MGD will be required by 2025.

AIRPORT ENTERPRISE FUND

The Sugar Land Regional Airport is a user-fee supported business enterprise fund. The City has been able to attract and maintain quality corporate customers. The airport's location and amenities make it attractive for corporate aviation. The airport is continuing a major face-lift to enhance its image among the business users of airport services and to attract new customers. In fiscal year 2005/06 a new terminal was completed. T-hangars and continued general aviation development are planned for future years.

Forecast Analysis

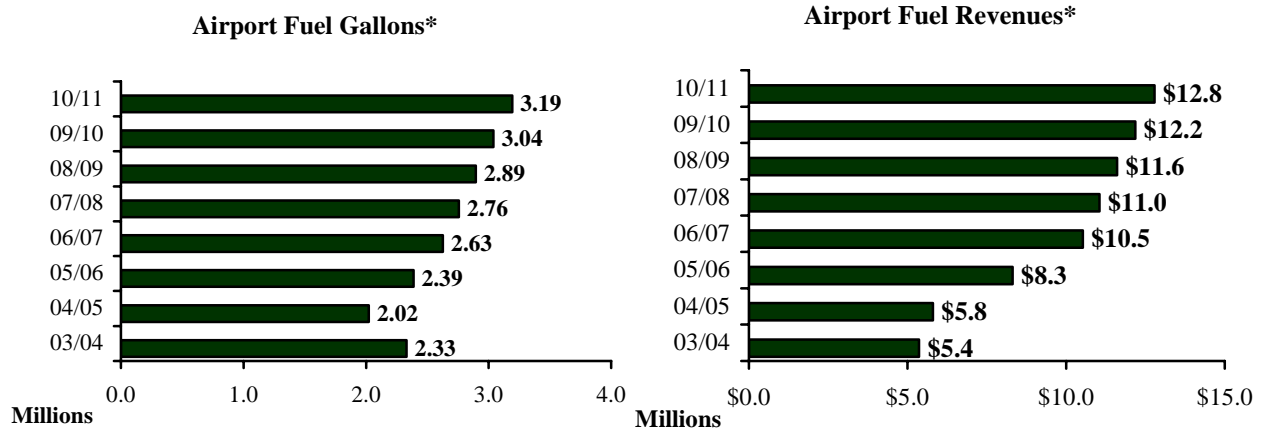
The airport is planning a total investment of \$3,585,000 through a five-year CIP program that funds corporate taxiways, new T-hangars, and runway rehab/repair. Based on the revenues and expenses described below, the airport will be able to fund all capital improvements, provide the increased services associated with a new terminal building and hangars, and meet reserve and bond coverage requirements.

Revenues

The airport anticipates an increase in fuel revenues during the forecast period due to a 21.5% increase in fuel gallons sold. Fuel gallons sold are anticipated to increase from 2.6 million gallons in fiscal year 2006/07 to 3.2 million gallons in fiscal year 2010/11.

Lease revenues are anticipated to increase 38.4% from 2006/07 to 2010/11 due to the reconstruction of T-hangars and the lease of retail space within the new terminal building.

The following graphs depict the projected fuel revenue and gallons sold. Fuel revenues are dependent on gallons sold and markup per gallon sold.



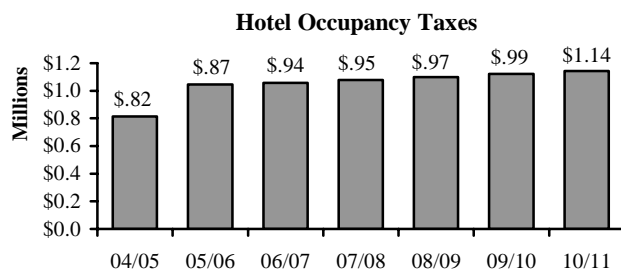
* Fiscal year 2003/04 includes gallons and revenues from fuel sales for Super Bowl XXXVIII.

Expenses

Airport operating expenses are projected to increase in the forecast at an average of 5% annually. The majority of the increase is due to additional volume of fuel purchases as fuel sales increase. Expenses include credit card fees and increases to operations and maintenance due to the completion of capital improvement projects.

TOURISM FUND

The purpose of the fund is to promote tourism in the City and law specifically restricts its uses. The City's Hotel Occupancy Tax, based on 7% of room revenue, is the source of revenues in the fund. Below is a graphic presentation of hotel occupancy tax revenues.



Forecast Analysis

Hotel Occupancy Tax revenues are projected to increase 8.2% or \$87,036 through the forecast, based on anticipated growth in each hotel.

The City has pledged the hotel tax revenues from the Marriott as a transfer to the Debt Service Fund to pay for the City's debt requirements for the Conference Center. This arrangement confirms the City's commitment to the principle that occupancy taxes should pay for that debt and not the taxpayers as a whole.

The fund's expenditures are used to finance advertising and promotion activities for the City, according to limits imposed by state statutes. In fiscal years 2006/07 to 2010/11 an estimated \$610,000 will be spent on historical preservation. Fund balance grows throughout the forecast period to \$997,059 by fiscal year 2010/11. These funds are available to fund items appropriate under the law to help promote tourism in the City.

FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM (CIP)

Forecast Analysis

The City's Five-Year CIP totals \$184 million for fiscal year 2006/07 through fiscal year 2010/11 and consists of 119 projects. Funding sources were identified as capacity was determined in the various financial plans and project timings were adjusted to meet affordability. All projects included in the CIP have identified funding sources or potential funding sources. Utility CIP accounts for a total of \$81 million. Of the \$102.7 million in non-utility projects, \$47.0 million have been identified as potential projects for a bond referendum in 2008. Major projects in the Five-Year CIP include traffic, water, wastewater, streets, parks, airport, municipal, drainage, and surface water.

Total Water/Wastewater projects are \$41.6 million or 23% of the total uses. Some of the major water/wastewater projects are \$9 million for a wastewater treatment plant expansion, \$5.4 million for collection system rehabilitation, \$3.9 million for collection system upgrades, \$1.9 million for the upgrades to the south wastewater treatment plant, \$2.3 million for an elevated storage tank, \$2.4 million for water plant #2 expansion, \$1.9 million for south wastewater treatment plant upgrades, \$1.8 million for wastewater flow diversion, and \$1.8 million for phase II of south system water plant no. 3.

Surface Water projects total \$39.5 million or 21% of uses. The majority of the funds are assigned to the surface water treatment plant and surface water conversion transmission lines for \$35.2 million. Other projects include distribution system upgrades, non-potable water opportunities and water plant upgrades for surface water conversion.

Street projects are \$33.2 million or 18% of the total uses. Construction of University Boulevard accounts for \$11.9 million. Other projects include sidewalk and pavement rehabilitation for \$4 million, extension of Lexington Boulevard for \$2.2 million, \$3.2 million for phase II of US90A quiet zone, \$1.3 million for the reconstruction of Main Street, \$1.6 million for Dairy Ashford/Spur 41 widening, \$1.7 million for the upgrade of Dulles Avenue, and \$3.1 million for the construction of the Meadowcroft bridge.

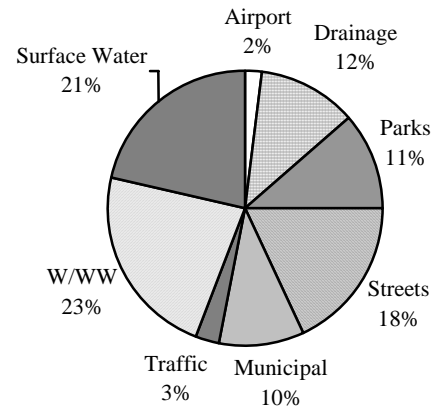
Drainage projects are \$21.5 million or 12% of the total uses. Some of the major projects are the extension of Ditch H for \$3.5 million, phase II and III of Sugar Creek drainage improvements for \$7.7 million, \$3.3 million for Covington Woods phase II improvements, \$1 million for Belknap/Brookside phase III improvements and \$1.8 million for Sugar Creek/Market Place phase II.

Park projects are \$20.6 million or 11% of total uses. The most significant park project is the Brazos River Corridor Phase II for \$5.6 million. Other projects are the construction of a recreation center for \$3.6 million, \$1.5 million for Imperial Park improvements, \$1.1 million for the hike and bike trail, and \$3.7 million for the acquisition of park land in Telfair and Riverstone area.

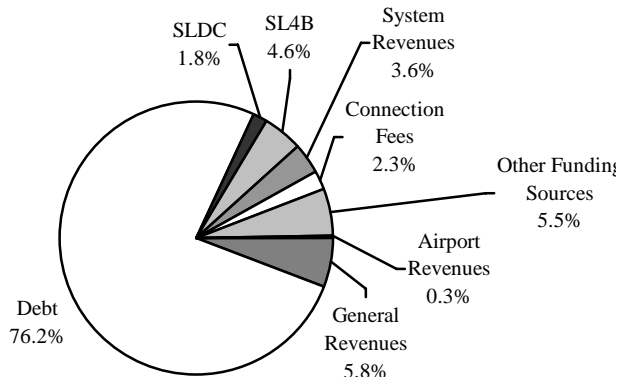
Municipal projects are \$18.6 million or 10% of the total uses. Some of the major projects are an animal control facility for \$700,000, fire training facility for \$3 million, fire station # 7 for \$2.9 million, public works maintenance facility expansion for \$5.6 million, public safety vehicle processing and storage for \$1.3 million, emergency power for City facilities for \$1.6 million and \$1.4 million for miscellaneous building renovations, expansions and upgrades.

Airport and Traffic projects total \$8.6 million or 5% of total uses. The construction of 100 T-hangars accounts for \$3 million out of the total \$3.5 million for Airport projects. Traffic projects total \$5 million and \$1.7 million is allocated to aesthetic improvements and \$1.5 is for the traffic improvements to help maintain mobility throughout the City.

**Capital Projects -Uses
\$183.7 Million**



Capital Projects- Sources
\$183.7 Million



The largest source of revenue for the CIP comes from debt (76.1%) at \$140 million includes \$9.36 million in General Obligation debt remaining from the \$34.5 million authorized by voters in 1999. Certificates of Obligation fund \$15.27 million, including \$3 million in airport projects, \$4.4 million in drainage projects, and \$6.1 million for University Boulevard. Utility revenue bonds will fund the largest component at \$68.3 million and \$47 million has been identified as future General Obligation bond funding (pending voter approval). The City is planning a bond election in 2008. General Revenues, including sales tax and property taxes for drainage, fund \$10.57 million or 5.8% of the total. Pay-as-you-go funding from the two economic development corporations supports \$11.6 million or 6.4% of the total. Airport revenues of \$550,000 make up 0.3% of the total. Utility system revenues of \$10.9 million make up 5.9% of the total. Other sources include county bonds, grants, developer fees, park fees, bond interest, reallocated bonds, and fund balance, making up 5.5% of funding sources.

SOURCES:	2007	2008	2009	2010	2011	TOTAL
GENERAL REVENUE	\$ 2,617,994	\$ 2,282,994	\$ 1,860,000	\$ 1,740,000	\$ 1,550,000	\$ 10,050,988
CO'S	9,110,000	640,000	3,190,000	2,328,000		15,268,000
BONDS	7,362,000	2,000,000				9,362,000
FUTURE GO BONDS		9,907,500	26,772,250	6,310,000	4,050,000	47,039,750
PROPERTY TAX - DRAINAGE	515,000					515,000
REVENUE BONDS	4,900,000	7,890,000	15,705,000	3,405,000	36,395,000	68,295,000
SLDC	280,000	1,035,000	500,000	1,450,000		3,265,000
SL4B	1,575,500	2,351,000	2,850,000	1,500,000	100,000	8,376,500
AIRPORT REVENUES		400,000	150,000			550,000
SYSTEM REVENUES	863,500	1,459,000	675,000	1,584,000	2,035,000	6,616,500
CONNECTION FEES			321,000	1,860,000	2,100,000	4,281,000
OTHER FUNDING SOURCES	4,145,994	1,140,494	3,789,744	1,000,000		10,076,232
TOTAL	\$ 31,369,988	\$ 29,105,988	\$ 55,812,994	\$ 21,177,000	\$ 46,230,000	\$ 183,695,970

USES:	2007	2008	2009	2010	2011	TOTAL
AIRPORT	\$ 3,035,000	\$ 400,000	\$ 150,000	\$	\$	\$ 3,585,000
DRAINAGE	5,275,000	6,740,000	9,500,000			21,515,000
MUNICIPAL	3,600,000	945,000	10,814,000	2,935,000	300,000	18,594,000
PARKS	5,125,500	2,348,000	6,275,000	2,615,000	4,300,000	20,663,500
STREETS	4,360,988	7,645,988	11,922,994	8,478,000	800,000	33,207,970
TRAFFIC	2,310,000	1,678,000	450,000	300,000	300,000	5,038,000
WASTEWATER	5,100,000	5,088,000	10,725,000	2,005,000	5,295,000	28,213,000
WATER	1,963,500	1,798,000	3,346,000	3,485,000	2,835,000	13,427,500
SURFACE WATER	600,000	2,463,000	2,630,000	1,359,000	32,400,000	39,452,000
TOTAL	\$ 31,369,988	\$ 29,105,988	\$ 55,812,994	\$ 21,177,000	\$ 46,230,000	\$ 183,695,970

SUGAR LAND DEVELOPMENT CORPORATION

The Sugar Land Development Corporation (SLDC) is financed through a quarter cent sales tax approved by the voters in 1993, and its primary goal is to promote economic development of the City.

Forecast Analysis

The SLDC's revenues from sales taxes will be increasing by \$1,306,794 or 30.3% during the forecast period from \$4,301,590 in fiscal year 2006/07 to \$5,608,384 in fiscal year 2010/11. The TIRZ assignment grows from \$303,000 in fiscal year 2006/07 to \$530,000 in fiscal year 2010/11 based on development assumptions and will be used to support a portion of the debt service requirements on sales tax revenue bonds which were used to reimburse the developer for Town Square Infrastructure.

Another source of funding for the SLDC is the repayment of a loan to the airport and interest earnings on the fund balance. The SLDC will receive a total of \$654,937 in principal and interest from the airport during the forecast period, and \$1,284,774 in interest income from the operating fund balance and reserves.

The SLDC will contribute \$3,265,000 to the funding of the five-year Capital Improvement Program. The SLDC debt service requirements decrease after fiscal year 2006/07 as the refinancing of the mall agreement is paid off. Remaining debt service is for the Town Square infrastructure. The forecast also allocates \$1.5 million in fiscal year 2006/07 toward Economic Development incentives and then \$1 million for fiscal years 2007/08 to 2010/11. In fiscal years 2006/07 and 2007/08 the Corporation will pay two payments of \$570,061 to the Texas Department of Transportation for the City's share of US Highway 59 Phase II.

The five-year forecast indicates that the SLDC is able to fund the capital improvement projects and the final Town Square reimbursement in fiscal year 2009/10, meet its financial obligations and maintain an average fund balance well in excess of the 10% of budgeted sales tax policy requirement for the duration of the forecast.

SUGAR LAND 4B CORPORATION

The Sugar Land 4B Corporation (SL4B) is financed by a quarter cent sales tax authorized by voters in 1995. Uses of 4B funds are restricted by law, but are less restricted than the use of SLDC funds.

Forecast Analysis

Total sources for the SL4B include sales taxes, TIRZ assignment, and interest from the debt service reserves and investments. The sources for the SL4B increase by an average of \$194,754 or 3.9% annually during the forecast. The TIRZ assignment supports the debt service requirements for 400 additional spaces in the Texas Garage.

In the forecast the SL4B contributes \$8,366,500 for capital improvements. The majority of the funding, \$6,598,500 is associated with parks improvements and \$1,778,000 is associated for traffic upgrades.

The SLDC debt service requirements decrease after fiscal year 2006/07 due to payoff of the mall refinancing. The corporation has three outstanding debt issues that mature in 2025.

The University of Houston land lease agreement is an agreement for the 4B Corporation to lease 52 acres of land owned by the University for 99 years in exchange for contributions to the University of Houston for \$3.5 million, which will be paid in two payments of \$1.75 million each. The first of the two payments were paid in fiscal year 2005/06 and the second payment is anticipated in fiscal year 2008/09. The forecast shows that the 2nd payment can be made in cash.

The SL4B meets its reserve and bond coverage requirements, and is able to maintain an average fund balance in excess of the 10% of budgeted sales tax receipts policy requirement during this forecast.

CITY OF SUGAR LAND
GENERAL FUND
FIVE YEAR FINANCIAL FORECAST

	FY 05/06 Projections	FY 06/07 Budget	FY 07/08 Forecast	FY 08/09 Forecast	FY 09/10 Forecast	FY 10/11 Forecast
REVENUES:						
Property Taxes	\$9,490,507	\$9,864,856	\$10,360,774	\$11,316,831	\$12,029,647	\$12,715,381
Sales Tax	25,096,072	25,809,540	27,667,563	29,603,025	31,561,538	33,650,307
Other Taxes	4,553,488	4,677,223	4,788,471	4,993,590	5,413,206	5,825,456
Licenses & Permits	1,539,787	1,659,500	2,010,478	2,062,911	1,895,983	1,909,975
Intergovernmental	418,211	381,865	211,487			
Charges for Services	1,659,841	2,069,107	2,380,656	2,432,874	3,188,497	3,190,591
Fines & Forfeitures	1,203,437	1,309,140	1,404,573	1,501,011	1,582,504	1,668,569
Interest Income	823,000	850,000	886,297	906,783	956,225	967,976
Miscellaneous	443,087	123,365	176,642	180,045	183,581	187,254
TOTAL REVENUES	45,227,430	46,744,596	49,886,940	52,997,070	56,811,181	60,115,509
Transfers from other funds	2,607,541	2,675,960	2,729,245	2,754,536	2,780,169	2,806,149
TOTAL AVAILABLE RESOURCES	47,834,971	49,420,556	52,616,186	55,751,606	59,591,349	62,921,658
EXPENDITURES:						
General Government	6,144,455	6,413,244	6,728,799	6,813,583	7,559,635	7,775,412
Business & Intergovernmental	488,402	802,152	731,426	762,840	795,774	830,302
Administrative Services	828,223	3,271,885	3,225,253	3,319,798	3,488,928	3,615,366
Finance	2,746,347	2,992,910	2,772,340	2,891,777	3,016,995	3,148,280
Public Works	7,481,753	5,747,981	5,717,657	5,862,537	6,013,254	6,171,086
Parks and Recreation	2,424,246	2,908,219	3,477,055	4,108,922	4,986,212	5,983,537
Community Development	2,483,409	2,575,672	2,540,236	2,657,810	2,781,167	2,910,597
Police	12,275,371	13,451,944	13,685,723	14,323,175	14,992,030	15,693,855
Fire	7,390,654	7,584,659	7,857,287	8,502,229	9,500,783	9,940,724
Debt Service	408,245	221,455	241,456	316,456	286,257	345,529
TOTAL EXPENDITURES	42,671,105	45,970,121	46,977,233	49,559,127	53,421,035	56,414,687
Rebates & Assignments	1,826,164	2,350,483	2,495,528	2,596,658	2,702,940	2,814,676
Transfers to other funds	4,056,435	3,850,955	3,271,238	2,922,137	2,819,728	2,937,207
TOTAL EXPENDITURES AND OTHER USES	48,553,705	52,171,559	52,743,998	55,077,922	58,943,703	62,166,570
Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	(718,734)	(2,751,004)	(127,813)	673,684	647,646	755,087
BUDGETARY BEGINNING BALANCE	15,349,584	14,630,850	11,879,846	11,752,033	12,425,717	13,073,364
ENDING BALANCE	\$14,630,850	\$11,879,846	\$11,752,033	\$12,425,717	\$13,073,364	\$13,828,451
POLICY REQUIREMENTS						
Policy Requirement: - 3.0 months	10,059,558	10,999,425	11,516,309	12,282,183	13,014,109	13,826,454
Over/(Under) Policy	4,571,292	880,421	235,724	143,535	59,255	1,997

CITY OF SUGAR LAND
DEBT SERVICE FUND
FIVE YEAR FINANCIAL FORECAST

	FY 05/06 Projection	FY 06/07 Budget	FY 07/08 Forecast	FY 08/09 Forecast	FY 09/10 Forecast	FY 10/11 Forecast
FUND BALANCE - BEGINNING	\$ 5,408,932	\$ 4,932,313	\$ 4,138,697	\$ 3,869,209	\$ 4,173,734	\$ 5,110,503
REVENUES						
Current Property Taxes	11,508,447	10,775,860	11,875,722	12,124,932	12,710,023	13,423,579
Delinquent Property Taxes	110,000	110,000	110,000	110,000	110,000	110,000
Developer Fee reimbursement			26,112	182,376	407,510	502,493
Interest on Investments	263,518	209,000	240,130	227,651	251,400	308,098
Bond Proceeds	26,515,660					
Annexation/Dissolution	1,025,348					
TOTAL REVENUES	39,422,973	11,094,860	12,251,964	12,644,959	13,478,933	14,344,171
Transfer In from Tourism Fund	731,158	730,776	731,708	731,776	729,608	727,414
Transfer In from Utility Fund	4,343,618	4,312,748	4,058,374	4,027,040	3,745,990	3,478,447
TOTAL INTERFUND TRANSFERS	5,074,776	5,043,524	4,790,081	4,758,816	4,475,598	4,205,861
TOTAL AVAILABLE RESOURCES	49,906,681	21,070,697	21,180,742	21,272,985	22,128,265	23,660,534
EXPENDITURES						
Debt Service	17,430,877	15,721,649	15,176,529	14,410,676	13,932,899	13,606,544
New GO Debt		168,975	644,075	743,500	778,875	812,000
CO Debt		209,250	487,863	663,850	674,225	658,475
Univ. Blvd CO's			26,112	182,376	407,510	502,493
Fiscal Fees	35,000	37,000	40,000	42,000	44,000	44,000
Refunding Expense	26,675,589					
TOTAL DEBT SERVICE	44,141,466	16,136,874	16,374,579	16,042,402	15,837,509	15,623,512
Rebates & Claims	759,223	719,000	841,085	959,292	1,078,489	1,188,668
Transfers to Other Funds	73,680	76,126	95,869	97,556	101,765	106,853
TOTAL EXPENDITURES	44,974,369	16,932,000	17,311,532	17,099,250	17,017,762	16,919,033
CHANGE IN FUND BALANCE	(476,620)	(793,616)	(269,487)	304,525	936,769	1,630,998
FUND BALANCE - ENDING	\$ 4,932,313	\$ 4,138,697	\$ 3,869,209	\$ 4,173,734	\$ 5,110,503	\$ 6,741,501
Policy Requirement	2,614,632	2,414,981	2,450,187	2,400,060	2,369,026	2,336,927
Over/(Under) Policy	2,317,680	1,723,716	1,419,023	1,773,674	2,741,477	4,404,574

CITY OF SUGAR LAND
ENTERPRISE FUND - UTILITY SYSTEM
FIVE YEAR FINANCIAL FORECAST

	FY 05/06 Projections	FY 06/07 Budget	FY 07/08 Forecast	FY 08/09 Forecast	FY 09/10 Forecast	FY 10/11 Forecast
OPERATING REVENUES:						
Charges for Services	\$18,787,312	\$ 19,114,767	\$ 19,786,200	\$ 21,168,400	\$ 22,532,200	\$ 23,795,767
Connection Fees		108,000	291,228	318,439	685,457	600,000
Interest Income	290,968	309,872	164,900	152,500	150,000	137,600
Miscellaneous	47,978	131,540	1,529,700	1,556,800	1,584,900	1,614,000
Transfers In			68,600	146,800	135,800	167,600
TOTAL REVENUES	19,126,258	19,664,179	21,840,628	23,342,939	25,088,357	26,314,967
OPERATING EXPENSES						
Utility Administration	889,444	747,833	785,225	824,486	865,710	908,996
Water Distribution	1,070,079	1,282,028	1,113,762	1,169,450	1,227,922	1,289,319
Water Production	2,037,070	2,155,307	2,135,554	2,287,417	2,399,098	2,558,363
Wastewater Collection	793,947	803,567	843,745	885,933	930,229	976,741
Wastewater Treatment	2,923,049	3,064,204	3,259,636	3,636,268	3,775,981	3,954,180
Customer Service	919,491	974,900	1,023,645	1,074,827	1,128,569	1,184,997
Billing & Collection	699,893	707,460	742,833	779,975	818,973	859,922
TOTAL OPERATING EXPENSES	9,332,973	9,735,299	9,904,400	10,658,355	11,146,483	11,732,517
OPERATING INCOME(LOSS)	9,793,285	9,928,880	11,936,228	12,684,584	13,941,874	14,582,450
OTHER FINANCING USES						
Other Requirements	(3,802,989)	(4,215,183)	(4,543,088)	(5,353,088)	(6,357,388)	(6,466,788)
Operating Transfers Out	(6,544,725)	(7,273,467)	(7,340,827)	(7,189,938)	(7,223,675)	(7,257,609)
Bond Proceeds	5,410,000	5,125,500	6,715,000	13,655,000	3,505,000	5,845,000
Bond Proceeds Transfer	(5,345,000)	(5,025,000)	(6,615,000)	(13,455,000)	(3,405,000)	(5,745,000)
CIP Transfers:						
Water Projects	(328,000)	(113,500)	(188,000)	(295,000)	(225,000)	(285,000)
Wastewater Projects	(312,274)	(150,000)	(83,000)			
TOTAL OTHER SOURCES/USES	(10,922,988)	(11,651,650)	(12,054,915)	(12,638,026)	(13,706,063)	(13,909,397)
NET INCOME (LOSS)	(1,129,703)	(1,722,770)	(118,688)	46,558	235,811	673,052
CASH EQUIVALENTS BEGINNING	7,465,905	6,336,202	4,613,432	4,494,744	4,541,302	4,777,113
Debt Service Reserve	(1,477,943)	(1,514,526)	(1,598,396)	(1,682,266)	(1,729,553)	(1,729,553)
CASH EQUIVALENTS ENDING	\$ 4,858,259	\$ 3,098,906	\$ 2,896,348	\$ 2,859,036	\$ 3,047,560	\$ 3,720,612
CASH OPERATING RESERVE	55%	33%	29%	27%	27%	32%
BOND COVERAGE DIRECT DEBT	2.73	3.20	3.39	3.37	4.02	4.29

CITY OF SUGAR LAND
ENTERPRISE FUND - SURFACE WATER
FIVE YEAR FINANCIAL FORECAST

	FY 05/06 Projections	FY 06/07 Budget	FY 07/08 Forecast	FY 08/09 Forecast	FY 09/10 Forecast	FY 10/11 Forecast
OPERATING REVENUES						
Surface Water Fee - ETJ	\$ 228,750	\$ 457,500	\$ 457,500	\$ 475,000	\$ 482,500	\$ 490,000
Interest Income	590	28,172	130,235	173,086	137,974	97,592
Operating Transfer In	680,000	1,250,000	1,537,520	1,570,650	1,853,592	2,122,588
TOTAL OPERATING REVENUES	909,340	1,735,672	2,125,255	2,218,736	2,474,065	2,710,180
OPERATING EXPENSES						
Personnel Services	60,852	63,495	66,670	70,003	73,503	77,179
Operations & Maintenance Capital	190,700	285,245	285,245	285,245	285,245	285,245
TOTAL OPERATING EXPENSES	251,552	348,740	351,915	355,248	358,748	362,424
OPERATING INCOME	657,788	1,386,932	1,773,341	1,863,488	2,115,317	2,347,756
OTHER SOURCES AND USES						
Bond Proceeds			1,300,500	2,295,000		31,263,000
Debt Service/ Issuance Cost			(187,446)	(233,892)	(233,892)	(1,863,744)
Capital Projects	(266,610)	(600,000)	(2,463,000)	(2,630,000)	(1,359,000)	(32,400,000)
Transfer Out	(55,250)	(110,500)	(110,500)	(110,500)	(110,500)	(110,500)
TOTAL OTHER SOURCES/USES	(321,860)	(710,500)	(1,460,446)	(679,392)	(1,703,392)	(3,111,244)
NET INCOME (LOSS)	335,928	676,432	312,894	1,184,095	411,925	(763,488)
CASH EQUIVALENTS BEGINNING		335,928	1,012,360	1,325,254	2,509,350	2,921,274
CASH EQUIVALENTS ENDING	\$ 335,928	\$ 1,012,360	\$ 1,325,254	\$ 2,509,350	\$ 2,921,274	\$ 2,157,787

CITY OF SUGAR LAND

ENTERPRISE FUND - AIRPORT

FIVE YEAR FINANCIAL FORECAST

	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11
	Projections	Budget	Forecast	Forecast	Forecast	Forecast
REVENUES:						
Fuel Sales	\$ 8,314,238	\$ 10,522,975	\$ 11,049,114	\$ 11,601,560	\$ 12,181,628	\$ 12,790,699
Hanger Leases	743,349	763,229	952,487	1,013,636	1,014,808	1,056,504
Miscellaneous Revenues	417,422	302,962	312,086	318,734	330,768	338,215
Operating Transfers In	138,024	154,752	159,395	164,176	169,102	174,175
TOTAL REVENUES	9,613,033	11,743,918	12,473,081	13,098,106	13,696,306	14,359,593
OPERATING EXPENSES:						
Administrative	777,976	816,516	872,319	903,611	936,220	970,209
FBO Services	6,892,032	8,892,706	9,351,269	9,811,783	10,295,181	10,802,605
Customs	190,196	166,996	170,000	170,000	170,000	175,000
Maintenance and Operations	355,214	555,583	535,478	553,143	574,454	593,672
Airport Development Operations	15,000	15,000	15,450	15,914	16,391	16,883
TOTAL OPERATING EXPENSES	8,230,418	10,446,801	10,944,516	11,454,450	11,992,246	12,558,369
OPERATING INCOME	1,382,615	1,297,116	1,528,565	1,643,657	1,704,060	1,801,224
OTHER FINANCING USES AND SOURCES:						
Grant Proceeds	180,000	200,000	200,000	200,000	200,000	200,000
Bond Proceeds		3,085,000				
Airport Development Projects	(5,281,467)	(3,035,000)	(163,896)	(309,763)	(361,391)	(379,460)
Other Requirements	(800,711)	(822,150)	(963,099)	(965,365)	(958,505)	(961,502)
Operating Transfers Out	(356,257)	(362,504)	(368,756)	(372,170)	(375,618)	(379,100)
TOTAL OTHER SOURCES/(USES)	(6,258,435)	(934,654)	(1,295,751)	(1,447,298)	(1,495,513)	(1,520,062)
NET INCOME (LOSS)	(4,875,820)	362,462	232,814	196,359	208,546	281,161
CASH EQUIVALENTS BEGINNING	6,365,195	1,333,545	1,534,010	1,598,415	1,665,205	1,771,946
Loans from SLDC						
Repayment to SLDC	(155,830)	(161,997)	(168,409)	(129,569)	(101,805)	(43,696)
CASH EQUIVALENTS ENDING	\$ 1,333,545	\$ 1,534,010	\$ 1,598,415	\$ 1,665,205	\$ 1,771,946	\$ 2,009,411
CASH EQ. RESERVE RATIO	16%	15%	15%	15%	15%	16%
BOND COVERAGE	2.04	1.53	1.69	1.82	1.88	1.99
GALLONS SOLD	2,387,037	2,625,741	2,757,028	2,894,880	3,039,623	3,191,605
Operating Revenue per Gallon Sold	\$ 4.03	\$ 4.47	\$ 4.52	\$ 4.52	\$ 4.51	\$ 4.50
Operating Expenditure per Gallon Sold	\$ 3.45	\$ 3.98	\$ 3.97	\$ 3.96	\$ 3.95	\$ 3.93

CITY OF SUGAR LAND
SPECIAL REVENUE FUND - TOURISM
FIVE YEAR FORECAST

	FY 05/06 Projection	FY 06/07 Budget	FY 07/08 Forecast	FY 08/09 Forecast	FY 09/10 Forecast	FY 10/11 Forecast
OPERATING REVENUES						
Hotel/Motel Occupancy Tax	\$ 1,045,469	\$ 1,055,854	\$1,076,971	\$1,098,511	\$1,120,481	\$1,142,890
Interest Income	16,417	25,000	25,700	34,300	44,900	56,700
TOTAL OPERATING REVENUES	1,061,886	1,080,854	1,102,671	1,132,811	1,165,381	1,199,590
OPERATING EXPENDITURES						
Tourism Advertising & Promotion	120,530	131,750	172,315	175,762	179,277	182,862
Historical Preservation		210,000	100,000	100,000	100,000	100,000
TOTAL OPERATING EXPENDITURES	120,530	341,750	272,315	275,762	279,277	282,862
Transfer to Debt Service Fund	731,158	730,776	731,708	731,776	729,608	727,414
TOTAL EXPENDITURES	851,688	1,072,526	1,004,023	1,007,538	1,008,884	1,010,276
NET INCOME (LOSS)	210,199	8,328	98,648	125,273	156,496	189,314
FUND BALANCE - BEGINNING	208,801	419,000	427,328	525,976	651,249	807,745
FUND BALANCE - ENDING	\$ 419,000	\$ 427,328	\$ 525,976	\$ 651,249	\$ 807,745	\$ 997,059

CITY OF SUGAR LAND
SUGAR LAND DEVELOPMENT CORPORATION
FIVE YEAR FINANCIAL FORECAST

	FY 05/06 Projection	FY 06/07 Budget	FY 07/08 Forecast	FY 08/09 Forecast	FY 09/10 Forecast	FY 10/11 Forecast
Sources:						
Sales Tax Receipts	\$ 4,182,679	\$ 4,301,590	\$ 4,611,261	\$ 4,933,837	\$ 5,260,256	\$ 5,608,384
TIRZ Assignment	276,732	303,000	360,000	424,000	430,000	530,000
Bond Proceeds	12,365,000					
Interest Income	315,445	256,549	235,701	272,083	265,167	304,735
Miscellaneous	415,311					
TOTAL SOURCES	17,555,167	4,861,139	5,206,962	5,629,921	5,955,423	6,443,119
Uses:						
Operating Supplies	25,953	2,206	2,150	2,150	2,150	2,151
Contracted Services						
Professional Services	34,280	14,570	14,839	12,620	12,916	13,227
Public Relations - US 59	15,000	15,000	15,000	15,000		
Economic Development Program	130,399	208,052	214,294	220,722	227,344	234,164
Other Contractual	306,123	411,216	465,452	463,512	479,187	425,772
Total Contracted Services	485,802	648,838	709,584	711,855	719,448	673,163
Professional Development						
Education, Training, Travel	20,043	19,580	19,580	19,580	19,580	19,580
Dues, Memberships, Meetings	39,172	41,205	41,205	41,205	41,205	41,205
Total Professional Development	59,215	60,785	60,785	60,785	60,785	60,785
Total Operations & Maintenance	570,970	711,829	772,519	774,790	782,383	736,099
Debt						
Debt Service	1,498,606	2,094,499	1,010,436	996,530	986,530	970,436
Sales Tax Repayment	2,740	2,740	2,740	2,740	2,740	2,740
Bond Issuance Costs	111,180					
Handling Fees	1,122	2,000	2,000	1,000	1,000	1,000
Total Debt	1,613,648	2,099,239	1,015,176	1,000,270	990,270	974,176
Projects						
US 59 Phase II	570,061	570,061	570,061			
Town Square Infrastructure	11,525,185				1,750,000	
Capital Project Funding	4,736,323	280,000	1,035,000	500,000	1,450,000	
Total Capital Projects	16,831,569	850,061	1,655,061	1,300,000	3,950,000	
Transfer to Other Funds	256,520	205,580	224,141	228,624	233,197	237,860
Incentives	2,334,000	1,550,350	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL USES	21,606,707	5,417,059	4,666,897	4,303,684	6,955,849	2,948,136
Excess(Deficit) Sources over Uses	(4,051,540)	(555,920)	540,064	1,326,237	(1,000,426)	3,494,983
FUND BALANCE - BEGINNING	7,707,939	3,656,399	3,100,480	3,640,544	4,966,781	3,966,355
FUND BALANCE - ENDING	3,656,399	3,100,480	3,640,544	4,966,781	3,966,355	7,461,338
Less: Accrued Sales Tax Receivable						
Sales Tax Repayment			(2,740)	(5,480)	(8,220)	(10,960)
Loan O/S to Airport	(761,305)	(605,475)	(443,478)	(275,069)	(145,501)	(43,695)
Repayment- Airport Loan	155,830	161,997	168,409	129,569	101,805	43,696
Debt Service Reserve	(1,028,998)	(1,384,165)	(1,010,436)	(996,530)	(986,530)	(977,204)
FUND BALANCE - AVAILABLE	\$ 2,021,926	\$ 1,272,837	\$ 2,352,299	\$ 3,819,271	\$ 2,927,909	\$ 6,473,176
Minimum Fund Balance	\$ 418,268	\$ 430,159	\$ 461,126	\$ 493,384	\$ 526,026	\$ 560,838
Over/Under Policy	\$ 1,603,658	\$ 842,678	\$ 1,891,173	\$ 3,325,888	\$ 2,401,883	\$ 5,912,337
Bond Coverage Ratio	2.21	4.11	4.45	4.92	5.33	5.96

CITY OF SUGAR LAND

SUGAR LAND 4B CORPORATION

FIVE YEAR FINANCIAL FORECAST

	FY 05/06 Projections	FY 06/07 Budget	FY 07/08 Forecast	FY 08/09 Forecast	FY 09/10 Forecast	FY 10/11 Forecast
Sources:						
Sales Tax Receipts	\$ 4,182,679	\$4,301,590	\$ 4,611,261	\$4,933,837	\$ 5,260,256	\$ 5,608,384
Interest Income	300,742	314,710	296,090	226,019	195,935	290,126
Bond Proceeds	5,530,000					
Miscellaneous	78,700					
TIRZ Assignment	128,075	308,438	298,838	289,775	282,263	276,513
TOTAL SOURCES	10,220,196	4,924,738	4,907,351	5,159,856	5,456,191	5,898,510
Uses:						
Operating Supplies	13,171	2,360	2,360	2,360	2,360	2,360
Contracted Services						
Professional Services	29,523	14,944	15,171	15,410	15,660	15,923
Public Relations	1,872	445	500	500	500	500
Economic Development Program	23,168	285,209	299,469	314,443	330,165	346,673
Other Contractual	128,791	420,991	479,502	397,262	424,187	425,772
Total Contracted Services	183,354	721,589	794,642	727,615	770,513	788,868
Professional Development						
Education, Training	19,993	19,580	19,580	19,580	19,580	19,580
Dues, Memberships	36,257	38,205	38,205	38,205	38,205	38,205
Total Professional Development	56,250	57,785	57,785	57,785	57,785	57,785
Total Operations & Maintenance	252,775	781,734	854,787	787,760	830,658	849,013
Debt Service & Obligations						
Debt Service	1,819,666	2,280,691	1,681,523	1,671,910	1,672,116	1,682,260
Sales Tax Repayment	1,637	1,637	1,637	1,637	1,637	1,637
Bond Issuance Costs	104,700					
Debt Service Handling Fees	2,300	3,000	3,000	3,000	3,000	3,000
Total Obligations	1,928,303	2,285,328	1,686,160	1,676,547	1,676,753	1,686,897
Projects						
U of H Land Lease	1,750,000			1,750,000		
TIRZ - Parking Reimbursement	3,518,167					
Lake Pointe Developer Reimb			450,000			
Capital Project Funding	2,163,390	1,575,500	2,351,000	2,850,000	1,500,000	100,000
Total Projects	7,431,557	1,575,500	2,801,000	4,600,000	1,500,000	100,000
Transfer to Other Funds	256,520	205,580	224,141	228,624	233,197	237,860
TOTAL USES	9,869,155	4,848,142	5,566,088	7,292,931	4,240,607	2,873,771
Excess(Deficit) Sources over Uses	351,041	76,595	(658,738)	(2,133,074)	1,215,584	3,024,740
FUND BALANCE - BEGINNING	4,606,572	4,957,613	5,034,208	4,375,470	2,242,396	3,457,980
FUND BALANCE - ENDING	4,957,613	5,034,208	4,375,470	2,242,396	3,457,980	6,482,720
Debt Service Reserve	(1,301,730)	(1,628,061)	(1,683,820)	(1,683,820)	(1,683,820)	(1,683,820)
FUND BALANCE - AVAILABLE	\$ 3,655,883	\$3,406,147	\$ 2,691,650	\$ 558,576	\$ 1,774,160	\$ 4,798,900
Minimum Fund Balance	\$ 418,268	\$ 430,159	\$ 461,126	\$ 493,384	\$ 526,026	\$ 560,838
Over/Under Policy	\$ 3,237,615	\$2,975,988	\$ 2,230,524	\$ 65,192	\$ 1,248,134	\$ 4,238,061
Bond Coverage Ratio	1.95	2.46	2.42	2.61	2.75	3.00

FORECAST ASSUMPTIONS

The calculations in this forecast and the analysis of results obtained are based on the following assumptions:

ASSESSED VALUATION

The assessed valuation assumptions include revaluation increases in residential and commercial properties of about 3.4% for 2006/07-2010/11. The 2006/07 valuation is based on the 2006 certified tax roll. The percentage of valuation growth along with the assessed valuation is presented below. Net assessed valuation shown excludes value in TIRZ#1.

VALUATION GROWTH		NET ASSESSED VALUATION
2006/07	13.7%	\$7,077,640,425
2007/08	5.0%	\$7,432,478,876
2008/09	5.3%	\$7,830,053,464
2009/10	5.5%	\$8,261,879,566
2010/11	5.6%	\$8,725,711,869

TAX RATE

The forecast maintains a tax rate no greater than the effective tax rate plus 3%. The table below presents the anticipated tax rate split for fiscal years 2006/07-2010/11.

FISCAL YEAR	O&M	DEBT SERVICE	TOTAL
2006/07	\$0.15307	\$0.15348	\$0.30655
2007/08	0.14564	0.16107	0.30671
2008/09	0.15064	0.15610	0.30674
2010/11	0.15164	0.15508	0.30672
2009/10	0.15164	0.15508	0.30672

SALES TAX

For the duration of the forecast, base sales tax growth, is given below:

BASE SALES TAX GROWTH	PERCENTAGE
2006/07	5.07%
2007/08	5.52%
2008/09	5.86%
2009/10	7.03%
2010/11	7.01%

GENERAL FUND

REVENUES

Major revenue sources for the general fund are sales tax and property tax. The remainder of the revenues in the General Fund include franchise fees, licenses & permits, charges for services, and other miscellaneous income from various funding sources and have been projected based on history and projected growth from development.

EXPENDITURES

- 2006/07 – 2010/11 Personnel Services – Increase by 5% throughout the forecast, including benefits
- 2007/08 Parks Department - 5 new positions based on the CIP Recreation Center

Impact of 2007-2011 CIP projects on O&M is incorporated into the forecast, as shown below, includes \$200,000 in fiscal year 2007/08 in non-recurring expenditures for the opening of the Recreation Center:

2007/08	2008/09	2009/10	2010/11
\$461,300	\$379,217	\$552,717	\$660,043

DEBT SERVICE FUND

REVENUES-

Debt Service revenues derive from different sources, the largest of which is the property tax. Additional contributors to Debt Service Fund come from the Tourism Fund. The Tourism Fund will transfer Hotel Occupancy Tax receipts from the Marriott Hotel as needed for payment of the debt service of the Conference Center.

WATER/WASTEWATER DEBT RECOVERY

The percentages below represent the recovery from Utility Fund from the transfers for debt payments for water/wastewater debt assumed through annexation and subsequent dissolution of MUDs. Based on Financial Management Policy Statements the recovery percentage is being increased to allow the users of the utility system to pay the assumed debt obligations, instead the taxpayers. The debt recovery is 80%, and remains at that rate through the rest of the forecast, although the dollar amount declines; the specific amounts are summarized in the water/wastewater assumptions.

ISSUANCE OF NEW DEBT

2006/07	Certificates of Obligation	\$9,110,000
	General Obligation	7,362,000
2007/08	Certificates of Obligation	640,000
	General Obligation	2,000,000
2008/09	Certificates of Obligation	3,190,000
2009/10	Certificates of Obligation	2,328,000

WATER/WASTEWATER FUND

The forecast assumes water/wastewater rate increases will be implemented each year to achieve the revenues needed to support operations and capital improvements. The specific increases will be identified as a result of the water wastewater rate study authorized by City Council in April 2006.

EXPENSES

Personnel Services 5% a year

- 2007/08- 2010/11 - Pay-as-you-go CIP

2007/08	2008/09	2009/10	2010/11
\$271,000	\$295,000	\$225,000	\$285,000

TRANSFER TO DEBT SERVICE FUND –

Percent of debt service requirements on assumed water/wastewater debt:

FISCAL YEAR	PERCENT	\$ TRANSFER
2006/07	80%	4,312,748
2007/08	80%	4,058,374
2008/09	80%	4,027,040
2009/10	80%	3,745,990
2010/11	80%	3,478,446

DEBT SERVICE REQUIREMENTS

Estimated increases to debt service are built into the forecast based on anticipated issuance of \$68.3 million in additional revenue debt over the forecast period.

AIRPORT FUND**REVENUES**

Based on anticipated growth, the number of fuel gallons sold is assumed to increase an average of 4.3% through this forecast per the following table:

FUEL GALLONS SOLD	
2006/07	2.63 Million
2007/08	2.76 Million
2008/09	2.90 Million
2009/10	3.04 Million
2010/11	3.19 Million

EXPENSES

Personnel Services	5.0% annually
O&M	2.0% annually

FUTURE DEBT ISSUES

The following debt issues are anticipated. Amounts including issuance costs and estimated debt service requirements are built into the forecast beginning the year after the debt is issued.

YEAR	DEBT ISSUANCE
2006/07	\$ 3,085,000

TOURISM FUND**REVENUES**

Hotel Occupancy Taxes – The assumptions for Hotel Occupancy Tax revenues are based on historical receipts, with growth in revenues from the Marriott included based on estimates from the hotel operator.

EXPENDITURES

Tourism, Advertising and Promotion includes Fort Bend Convention and Visitors Services contract, plus \$10,000 for advertising and promotion. Included in the expenditures is \$610,000 for historical preservation throughout the forecast.

TRANSFER TO DEBT SERVICE FUND

Hotel occupancy tax is pledged toward repayment of Certificates of Obligation issued for the Conference Center at Town Square. The forecast assumes a transfer to the Debt Service Fund in an amount equal to each year's debt service requirement.

DEBT SERVICE REQUIREMENT	
2006/07	\$730,776
2007/08	\$731,708
2008/09	\$731,776
2009/10	\$729,608
2010/11	\$727,414

SUGAR LAND DEVELOPMENT CORPORATION**REVENUES**

Sales Tax – see assumptions for sales tax growth

TIRZ Assignment - for Town Square infrastructure. The Corporation will receive an assignment of tax revenues from the TIRZ,

in support of repayment of debt service obligation for developer reimbursement of TIRZ infrastructure. The assignment of TIRZ revenues is anticipated to cover a portion of the debt service requirements.

EXPENDITURES

Economic Development Incentives – For fiscal year 2006/07 \$1,550,350 is estimated as economic development projects and incentives and \$1,000,000 for fiscal years 2007/08-2010/11.

Capital Improvements - A total of \$3,265,000 to be contributed over the five-year period based on projects identified in the 2007-2011 CIP.

Developer Reimbursements

- Town Square - Second reimbursement of \$1,750,000 to be paid no earlier than January 1, 2009 and is based on development targets being met. Assumed to be paid in fiscal year 2009/10.

SUGAR LAND 4B CORPORATION

REVENUES

Sales Tax – see assumptions for sales tax growth.

TIRZ ASSIGNMENT – For Texas Parking Garage - fiscal year 2006/07, the Corporation will receive the second assignment of revenues from the TIRZ, in support of repayment of sales tax revenue bonds, which were issued in December 2005 for an additional 400 spaces in the Texas Garage that are to be used by the Conference Center. The assignment will cover the portion of the debt service attributed to the garage debt.

EXPENDITURES

Over the forecast period, the 4B Corporation is projected to contribute \$8,376,500 for capital improvement projects. The majority of the funds are earmarked for park-related projects, and aesthetic improvements related to street projects.

Developer Reimbursement

- Reimbursement for Lake Pointe traffic signals infrastructure - \$450,000 total reimbursement, potentially in fiscal year 2007/08.
- University of Houston – Second payment of \$1.75 million for long-term land lease in fiscal year 2008/09.